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# USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

(FOUO 1/82)



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USSR REPORT  
CONSUMER GOODS AND DOMESTIC TRADE

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CONSUMER GOODS PRODUCTION AND DISTRIBUTION

PRODUCTION, SUPPLY, QUALITY OF CONSUMER GOODS

Moscow VOPROSY EKONOMIKI in Russian No 1, Jan 82 pp 125-137

/Article by Ya. Orlov: "The Expansion of the Production and the Improvement of the Quality of Consumer Goods"

/Text/ The CPSU Central Committee and the USSR Council of Ministers in the decrees on the increase of the production of basic necessities and mass demand items, the increase of quality and the improvement of their assortment in 1981-1985 stress that the expansion of the production and the improvement of the quality of consumer goods are acquiring at present paramount importance in the implementation of the decisions of the 26th party congress on the increase of the well-being of the Soviet people and the most complete and thorough satisfaction of the increasing demands of the population. This task is urgent for all the sectors of industry, enterprises and organizations and is a subject of particular concern of party, soviet and economic organs.

In the past 15 years the volume of the output of consumer goods has increased 2.5-fold, their assortment has been updated and the quality is improving. During the past five-year plan their output increased by 21 percent, including cultural, personal and household goods by 41 percent. Hundreds of enterprises of light, the food, the meat and dairy industries were put into operation.

Along with the significant achievements in the area of the development of the production of consumer goods and the steady increase of the consumption of foodstuffs, clothing, footwear, cultural, personal and household there are difficulties in the supply of the population with some foodstuffs, disruptions in the sale of some mass demand goods frequently occur. The shortage of some types of products of light industry has still not been eliminated. The quality of many items often does not meet the demands of the population.

A definite tightness is being observed in the balancing of the effective demand of the population and the supply of consumer goods as a whole and with a breakdown by individual commodity groups. The deposits of the population in savings banks have increased significantly, and a certain portion of them is due to unsatisfied demand. The effective demand of the population for goods and services exceeds their supply.

Obstacles in the normal realization of the monetary income of the population, which is received as direct remuneration for labor in social production and from public consumption funds, decrease the effectiveness of measures on material stimulation and thereby impede the growth of social production and the increase of its efficiency. The goal of social production determines the decisive importance which the meeting of the effective demand and the increase of the proportionality in the link "income-demand-consumption" have acquired under present conditions. As was noted at the 26th CPSU Congress, first of all the measures stipulated by the plans of the economic and social development of our country will be aimed at the accomplishment of this task.

In the Basic Directions of USSR Economic and Social Development for 1981-1985 and the Period to 1990 the demand is advanced "to consider as the most important task the more complete satisfaction of the consumer demand of the population for diverse goods and services." For this purpose an entire system of measures on the improvement of the most important national economic relations and proportions has been elaborated in the 11th Five-Year Plan. It is envisaged, in particular, to increase the contribution of all the sectors of the economy to the direct solution of the problems connected with the increase of the production of goods for the people. In a most generalized form this finds reflection in the change of one of the most important national economic proportions--the ratio in the distribution of the national income: the leading growth of the consumption fund, that is, of the resources being allocated directly for the meeting of the needs of the Soviet people, has been outlined. As a result, the proportion of the consumption fund in the national income will increase from 75.3 percent in 1980 to 78 percent in 1985. (For comparison it is possible to note that previously two decades were required to increase the proportion of the consumption fund in the national economy by only 2 points.) In terms of 1985, 16.5 billion rubles are being channeled into new measures on the increase of the standard of living, which are being implemented at the expense of centralized sources.

A leading of the growth rate of the output of group B of industry as compared with group A is planned during the current five-year plan. With an increase of the output of industry as a whole by 26-28 percent, the output of group A will increase by the same amount, while the growth rate of group B will be slightly greater--27-29 percent. During the present five-year plan these indicators of the development of the production of consumer goods will be higher than during the past five-year plan. The leading growth rate of the production of consumer goods as compared with the rate of increase of the monetary income of the population is a peculiarity of the five-year plan. It is also planned to develop the retail commodity turnover of state and cooperative trade more rapidly as compared with the increase of the monetary income of the workers of the city and the countryside.

And, finally, the more rapid increase of the output of cultural, personal and household goods as compared with the production of all consumer items will be characteristic of the 11th Five-Year Plan. Here a significant increase of the production of these types of goods in the sectors of heavy industry is envisaged. Thus, in the chemical and petrochemical sectors it is planned to increase the volume of basic output by 30-33 percent, while the production of synthetic resins and plastics, which are necessary for the production of the most diverse mass demand goods, should increase by 1.7-fold. The enterprises of the construction industry with an overall

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increase of the volume of output by 17-19 percent should ensure during the five-year plan an increase of the production of mass demand goods by 1.3- to 1.4-fold. High assignments on the output of cultural, personal and household goods by metallurgists, instrument makers and machine builders, electronics industry workers and woodworkers are stipulated by the decisions of the congress.

Special attention during the 11th Five-Year Plan will be devoted to the more complete satisfaction of the demand of the population for various goods and services, the increase of the level and the improvement of the structure of the consumption of foodstuffs.

The level of consumption of foodstuffs, which has been achieved at this time, provides the number of calories which is necessary to make up for the energy expenditures connected with the labor and vital activity of a person. The number of calories consumed in a day per person is 3,280, which as a whole exceeds the physiological needs of a person. At the same time the diet of the people should be organized with allowance made not only for the total calorie content of food, but also for the scientifically sound physiological norms of the consumption of the most important products.

A higher level of consumption of foodstuffs has been achieved in recent years. The per capita consumption of meat during 1965-1980 increased by 16 kg, milk--63 kg, eggs--114. The consumption of fish increased significantly. For some products (sugar, fish and fish products, vegetable oil) the consumption is approaching the scientifically sound norms. The consumption of bread and potatoes is decreasing. However, the diet continues to remain abundant in carbohydrates, a significant deficiency of vitamins is observed, the mineral composition of food is not balanced, there are not enough proteins of animal origin. Therefore the improvement of the structure of foodstuffs is one of the important tasks.

The basic causes of the tightness on the market of foodstuffs, and especially for the products of animal husbandry, are explained by the inadequate rate of development of agriculture, as well as by socioeconomic factors and changes in the structure of society, particularly the rapid growth of the urban population.<sup>1</sup>

The demand for foodstuffs, including the products of animal husbandry, has increased in connection with the growth of the monetary income of all categories of the population with the maintenance of stable retail prices. The wage has risen, the sizes of pensions, grants and stipends have increased. The level of the real income of kolkhoz farmers with respect to the real income of workers and employees per family member increased from 75 percent in 1965 to 89 percent in 1980.<sup>2</sup> The income of less well-to-do families has increased more rapidly as compared with the income of the entire population. Whereas in 1965 only 4 percent of the population had an income of more than 100 rubles a month per family member and in 1970

1. Since 1965 the USSR population has increased by more than 34 million, and the urban population has increased by 45.1 million, the rural population decreased by 10.7 million.
2. See "SSSR v tsifrakh v 1980 godu" /The USSR in Figures in 1980/, Izdatel'stvo "Finansy i statistika", 1981, p 170.

18 percent did, by the end of the 10th Five-Year plan about half of the population of the country already had such an income.<sup>3</sup> Under these conditions the growth rate of the production of a number of foodstuffs and several other consumer goods was inadequate.

The 26th CPSU Congress placed in the forefront the task of improving the supply of the population with foodstuffs. "The food problem--both economically and politically--is the central problem of the entire five-year plan. The basis of its solution is a high rate of agricultural production," L. I. Brezhnev noted in a speech at the November (1981) CPSU Central Committee Plenum. A food program, the fulfillment of which is called upon to provide a significant increase of the production of agricultural products and to link agriculture more closely with the sectors engaging in the storage and processing of its products and in trade in foodstuffs, is being elaborated for the solution of this problem.

The implementation of the food program should be carried out under the conditions of the dynamic and balanced development of the sectors of agriculture, the processing industry, transport, trade and procurement, as well as the sectors which produce means of production for the entire agro-industrial complex. The utmost increase of the production of grain and fodders is envisaged first of all by means of the improvement of the structure of the planted areas, the efficient use of mineral and organic fertilizers, the improvement of meadows and pastures and the increase of the productivity of livestock and poultry. Here the maximum reduction of the losses of agricultural products and the assurance of the construction in the shortest possible time of granaries, warehouses and other facilities for the safekeeping of products in the full amount are of great importance.

The increase of the production of agricultural products will make it possible to achieve the further improvement of the structure of the diet of the population. By the end of the five-year plan it is planned to increase the per capita consumption of meat to 62 kg (in 1940 it was 24 kg, in 1965--41 kg, in 1980--57 kg). On a per capita basis 320 kg of milk and 250 eggs will be consumed. The proportion of vegetables and fruit in the diet of the Soviet people will increase.

In the sectors of the food industry with an average increase of the output of products by 23-26 percent the production of ready-to-use products, convenience foods, delicatessen items and fresh frozen fruits and vegetables will be developed rapidly. The output of children's and dietetic food products will undergo leading development. For the assurance of a rational and balanced diet of children of early age it is planned to increase considerably the production of dried milk mixtures and meat-based canned goods, the assortment of dairy products for children up to the age of 1 year will be supplemented.

The improvement of the quality and assortment of food products and the increase of their output in a form, which is enriched with proteins, vitamins and other useful components, will be conducive to the solution of the problems facing the sectors of the food industry. In the food industry and trade it is planned to decrease substantially the losses of products by means of the increase of the output of packaged goods, the extensive use of new packaging materials, as well as the increase

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3. Ibid.

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of the completeness of processing and the improvement of the use of raw materials, the expansion of the acceptance of agricultural products at the place of their production, the strengthening of the material and technical base of the sectors, particularly the use of refrigeration during the processing and storage of agricultural products.

Fish is of substantial importance in the diet of the population. In the balance of food protein of animal origin fish products account for one-fifth. The per capita production of fish products (including canned fish) in 1980 was 20.1 kg, the consumption was 17 kg with a recommended scientific average per capita norm of 18.2 kg. Moreover, the fish industry is one of the main suppliers of fodder protein for the mixed fodder industry and fur farming. During the years of the current five-year plan the production of marketable fish products (including canned fish) will increase by 10-12 percent, while their consumption will achieve the rational norm. The Basic Directions envisage to increase the output of fish products, to improve their quality and to enlarge the assortment. Particular attention is being devoted to the development of the production of fish in inland reservoirs. At present the pond, lake and other commercial farms are already providing much fish for the table. A significant amount of commercial fish is being produced at kolkhozes and sovkhozes.

The production of products at the subsidiary farms of enterprises, organizations and institutions, on the private plots of citizens, as well as in the horticultural, gardening and rabbit breeding associations (societies) of workers and employees will undergo further development; assistance will be given to them in the purchase of young livestock and poultry, fodders, seed and fertilizers.

The private plots produce a large proportion of various types of products of animal husbandry and farming. Thus, their proportion in the total production of potatoes is more than one-half, while of vegetables, meat, milk and eggs it is approximately 30 percent. Measures on the creation of favorable conditions for the increase of the production of products on the private plots are specified in the decree of the CPSU Central Committee and the USSR Council of Ministers "On Additional Measures on the Increase of the Production of Agricultural Products on the Private Plots of Citizens." The experience of a number of oblasts and rayons attests that the private plots of citizens can be the source of a substantial addition in the production of meat, milk, potatoes, vegetables and several other products.

The elaboration of a set of measures on the improvement of the supply of the population with foodstuffs: the development of warehouse, including refrigerator, spaces for their storage, the improvement of the movement of goods, the improvement of the protection of the quality of products, the decrease of their losses during transportation and storage, is proposed during the preparation of the food program.

Public dining, through which more than one-fifth of the total amount of foodstuffs is consumed, is playing an important role in the solution of the food problem. Steps should be taken on the increase of the production in public dining and at cooperative enterprises of small items, pastries and ring-shaped rolls in the quantities and assortment, which are necessary for completely meeting the demands of the population. At the same time sugar and fats must be used economically and efficiently for the production of confectionary items, buns and rolls.



It is important to improve kolkhoz trade, to give the necessary assistance to the population in the delivery and sale of products and to seek the means for the construction of indoor markets. The workers of consumer cooperatives should improve the work of cooperative trade organizations in the cities and increase the purchases from the population of surpluses of agricultural products.

Light industry is justly called the industry for all, it supplies thousands of types of items, which meet the most diverse needs of the population. Each year about 100,000 descriptions of goods of new types, models and styles are introduced in production at enterprises of light industry. For example, in the cotton sector a new assortment of fabrics, which are produced on draw looms with the use of thread obtained by the spindleless method of spinning, is being created and the already assimilated assortment is being improved. About half of all the fabrics with a printed pattern are being produced in a new artistic and color design. The output of fabrics with high quality finishes, which improve their external appearance and give them new consumer properties, with stable types of a finish--embossings, silver and silk glossing, with a shrink-proof chemical finish--is increasing.

The increase of the production of wool fabrics is being achieved by the increase of the output of scarce groups of materials: fabrics for coats and children's items, pure wool and printed kerchiefs. The group of wool dress fabrics is being enriched by new tweed items, which are open-woven with the use of unifilar thread, crepe thread and hard twist thread. The group of suit fabrics is being improved by means of the use of thread with different external effects and the use of an improved finish. New fabrics with the use of pure wool worsted thread, fabrics of tweed design and light weight fabrics have been developed.

In the silk industry an assortment of fabrics made from new types of raw materials, including from modified polyamide filaments of "shelon," from texturized polyester and blended complex filaments in combination with threads made from reinforced and nonreinforced triacetate filaments, has been developed and introduced in production. Fabrics of light weight structures made from synthetic filaments and thread, which imitate fabrics made from cotton and other natural fibers, have been developed. The knitwear industry produces millions of items made from cloth with a printed design. The production of knitwear with the printing of designs in pigment dyes has been assimilated.

In 1980 744 million pair of footwear were produced as compared with 698 million pair in 1975. In recent years substantial changes have occurred in its assortment and quality. The output of new fashionable types of footwear has been assimilated in the shoe industry.

Eight programs of complete standardization for the most important types of products, such as footwear, knitwear, garments and several other items, are being implemented by the USSR Ministry of Light Industry and the USSR State Committee for Standards. Coordinated demands on the quality of the raw materials, semimanufactures, dyes, equipment and instruments, which are used in the production process, are envisaged by these programs.

It is planned to increase the volume of output of light industry by 18-20 percent, the production of high quality goods, which are in greater demand, first of all various types of cotton, wool, silk and linen fabrics and clothing made from them,

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knitted underwear and outerwear, hosiery, tulle curtain fabrics, fur headwear, artificial furs and leather will be increased. Particular attention is being devoted to the expansion of the production and the improvement of the quality of goods of the children's assortment. The development of the textile industry is being carried out on the basis of the extensive renovation and retooling of production. During the current five-year plan two-thirds of the capital investments going for industrial construction in the sector are being allocated for these purposes.

The strengthening of the raw material base of the sector is of great importance. Up to 70 percent of the output of group B was formerly produced from agricultural raw materials. Now along with the development of the agro-industrial complex--the main supplier of raw materials for the textile, knitwear and leather industry--measures are being planned on the considerable increase of the production of high quality goods made from artificial leather, suede and fur.

A detailed program of the rapid increase of the output of a number of goods, of which for the present there are still not enough, is outlined in the decree of the CPSU Central Committee and the USSR Council of Ministers "On Measures on the Increase of the Production of Basic Necessities in 1981-1985 and the More Complete Satisfaction of the Demand of the Population for These Goods." Among them are cotton fabrics and items made from them, knitwear and hosiery, nonwoven materials, rubber footwear, soap, synthetic powders and other basic necessities. High assignments have been set for the production of goods of the children's assortment. The production of many basic necessities and mass demand goods will increase at a rate which exceeds by two- to threefold the rate achieved during the 10th Five-Year Plan. The development of the production of nonwoven materials and their use for industrial purposes are a great reserve for the increase of the sale of cotton fabrics and items made from them. As a result the market and sewing enterprises of light industry will receive an additional 500 million m<sup>2</sup> of cotton fabrics.

The main attention during the 11th Five-Year Plan will be focused on the more complete meeting of the needs of the population for goods of high quality and a diverse assortment. In the knitwear industry the production of scarce items--underwear made from cotton thread--will increase at a leading rate, while in the sewing industry--shirts made from cotton and blended fabrics, overcoats, raincoats and jackets made from these fabrics, dresses, sun-dresses and robes made from cotton fabrics. The production of footwear with uppers made from high quality natural and artificial leathers and fashionable athletic footwear will increase considerably.

The enterprises of machine building and instrument making are making a great contribution to the increase of the production of many cultural, personal and household items which are necessary for the development of tourism. During the years of the past five-year plan about 43 million radios and radio-phonographs, more than 36 million televisions, 313.6 million clocks, 29.5 million refrigerators and many other goods were produced in these sectors. Color television is becoming firmly established in daily life. In 1980 2.3 million televisions for the reception of a color image were produced. The output of small televisions, stereo systems and microbatteries is increasing. The clock industry is being rapidly developed; our clocks have won wide recognition abroad, and a significant portion of them goes for exports. At the end of 1980 the supply of individual durable goods per 100 families is estimated at: clocks--515, radios--86, televisions--85, refrigerators--84, washing machines--71, sewing machines--66 and so on.

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During the current five-year plan it is planned to increase the production of cultural, personal and household items by not less than 1.4-fold--from 43.5 billion rubles to 61 billion rubles. Here the task is being set to increase their quality and to steadily update and improve their assortment.

A detailed program of the overcoming of the shortage in a number of cultural, personal and household goods is outlined in the decree of the CPSU Central Committee and the USSR Council of Ministers "On the Boosting of the Production of Mass Demand Goods, the Increase of the Quality and the Improvement of Their Assortment in 1981-1985." In conformity with these assignments in 1985 the production of color televisions will have increased 2.3-fold, cassette tape recorders--2.2-fold, automatic and semi-automatic washing machines--1.6-fold, refrigerators with a capacity of the compartment of 200 dm<sup>3</sup> and more--1.7-fold.

The output of electronic quartz watches, reflex cameras, steel enamelware, chinaware and earthenware, orchard and garden tools, varnishes and paints, items for children's technical creative work and other items will increase considerably.

The fulfillment of the assignments of the five-year plan will make it possible to increase the supply of the population with refrigerators to 95 per 100 families, washing machines--80, vacuum cleaners--43 and others.

It is important to create at the enterprises of group A the necessary conditions for the increase of the production of mass demand goods and to interest their collectives in this morally and materially. For the present the output of such items is often unprofitable for enterprises, their economic indicators are decreasing. Thus, the fund-forming indicator--labor productivity--is considerably lower in consumer goods shops than in basic production. Apparently, enterprises need to plan separately the production of the basic output and mass demand items.

The increase of the volume of production of consumer items in the sectors of group A also adversely affects another important indicator--the proportion of the output of the highest quality category, since many consumer goods are not liable to certification for the Seal of Quality. All this is responsible for the need to improve the mechanism of planning, pricing and the system of incentives for the output of high quality consumer goods.

With each year the volume of output is increasing, the assortment is being enlarged and the quality of consumer goods is improving. Many goods with new consumer qualities are appearing. Among them are standardized transistorized integrated-circuit color televisions, high quality stereo cassette tape recorders and accessories, two-compartment refrigerators, as well as a number of other goods. The goods proposed for mass production should have obvious advantages over old goods, should be characterized by higher indicators of reliability and durability, should be developed on the basis of advanced design and technological decisions and should be accessible to a wide range of consumers.

For the purposes of increasing the responsibility for the development, production and sale of high quality products, as well as for their proper preservation it is envisaged by the decree of the CPSU Central Committee and the USSR Council of Ministers "On Stepping Up the Work on the Economy and Efficient Use of Raw Material, Fuel, Energy and Other Material Resources" to increase the economic penalties for the violation of the requirements of standards and specifications and to extend

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them to the following organizations: planning and design organizations, scientific research organizations, developing enterprises--in the development and production of products; agricultural, procurement, supply and marketing, wholesale and retail trade organizations and enterprises--in the sale of products and their storage; transportation enterprises--in the transportation of products.

A comprehensive goal program on the production of completely new high class items, which for the present are not produced in the country, is being drawn up in conformity with the decisions of the 26th party congress and the decree of the CPSU Central Committee and the USSR Council of Ministers on the improvement of the economic mechanism. For a large group of consumer goods the task is being set to achieve the level of the best world models. According to the forecasts of specialists, the demand for furniture (which is connected with the improvement of housing conditions), devices and appliances, which facilitate labor in housekeeping and provide better conditions for cultural recreation, the pursuit of sports and tourism, will continue to increase in the immediate future. According to the estimate of the All-Union Scientific Research Institute of Consumer Demand and Market Conditions, by 1985 the sales volume of fundamentally new and improved goods will amount to approximately 25 billion rubles. The great mobility of the demand in connection with the increase of income and the saturation of the market requires, in the estimation of specialists, the annual production of new goods in the amount of not less than 5 billion rubles.

Enterprises which produce products from local raw materials and materials, the waste products of industrial and agricultural production, have great possibilities for saturating the market with mass demand goods. Perhaps in no other sphere of the national economy do local resources play such a role as in meeting the everyday consumer demand and in serving the population. The output of products by enterprises of local industry during 1981-1985 will increase by 1.4-fold. It is planned to accomplish this increase by the more complete utilization of local sources of raw materials, the development of handicrafts, the extensive use of the labor of homeworkers, first of all the disabled and retirees. The subsidiary industrial works and industries at kolkhozes and sovkhoses, which use the labor of the rural population between seasons, will also undergo further development. The activity of these works will be aimed at the processing of agricultural products, as well as at the production of construction materials and the output of consumer goods, primarily from local raw materials and industrial waste products.

Speaking at a meeting of the Presidium of the USSR Supreme Soviet, L. I. Brezhnev stressed: "And it is necessary for the soviets and their executive committees to act with respect to such questions not as the askers, but as stern and demanding bosses, for them to use better their coordinating and supervisory powers."<sup>4</sup> The recently adopted decree of the CPSU Central Committee, the Presidium of the USSR Supreme Soviet and the USSR Council of Ministers on the enhancement of the role of the soviets in the building of the economy should serve as a good stimulus for this. In this decree it is stipulated, in particular, that up to 50 percent of the goods produced in excess of the plan by the enterprises located on the territory subordinate to them are to be turned over to the councils of ministers of the autonomous republics and kray, oblast and okrug soviets for sale to the population through the retail network. The organs of the administration of trade and the

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4. PRAVDA, 2 April 1981.

workers of wholesale bases and offices are called upon to promote in every possible way the development of the production of goods from local sources.

For the purposes of ensuring the practical implementation of the decisions of the 26th CPSU Congress on the steady increase of the material and cultural standard of living of the people the collectives of the leading enterprises and associations of Moscow and Sverdlovskaya Oblast have come forth with the initiative to considerably increase the production, to enlarge the assortment and to improve the quality of consumer goods during the current five-year plan. It is envisaged by the outlined measures to organize the production of items for the population at the overwhelming majority of industrial enterprises and associations. Paramount importance is being attached to the improvement of the quality of goods, the assimilation of the production of new types of them, including technically complicated types, and the considerable expansion of the production of consumer items of greater demand. The implementation of these programs will be ensured by the renovation and specialization of operating enterprises and shops, the introduction of advanced technological processes, the more efficient use of raw materials, including local raw materials, as well as production waste. The CPSU Central Committee has approved this initiative.

It is necessary to devote particular attention to the further improvement of the interrelations of industry and trade and to the enhancement of the role of trade in the optimization of the supply of consumer goods. The system of plan indicators and criteria of the evaluation of the economic operations of enterprises producing consumer goods, as well as their economic stimulation should be aimed at the final national economic results of the activity, that is, at the more complete satisfaction of public and personal needs and the increase of the efficiency and quality of work. The fulfillment of the plan of deliveries in accordance with the assortment and on the dates specified by the contractual relations with trade will first of all be a reflection of this. The changes outlined in the current five-year plan in the system of plan indicators are based on the optimum combination of the physical and value, qualitative and quantitative indicators. A list of indicators, which are firmly established in the five-year plan (with a breakdown of the assignments by years), has been set for the first time. This will make it possible to approach closely the use of the indicator of the quantitative evaluation of the end result of the activity of the sectors producing consumer goods and the meeting of the demand of the population with a breakdown of the list of goods, on the basis of scientifically sound rates of consumption. The use of this indicator will play an important role in the evaluation of the activity of the main ministries on the production of specific types of products.

The obligatoriness of contractual relations is acquiring particular importance now, when the changeover of production associations (enterprises) to direct economic ties with organizations of state and cooperative trade is being carried out. In the contracts concluded for a 5-year period (with a breakdown by years), the volume of deliveries is specified in a group assortment. In the annual plans the assortment is given in detail and specified no later than 1.5 months before the beginning of the year.

For the purposes of strengthening the economic stimuli for associations, enterprises and organizations and increasing the material interest of their collectives in the more complete utilization of industrial waste products, secondary resources and local raw materials the decree of the CPSU Central Committee and the USSR Council

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of Ministers "On Stepping Up the Work on the Economy and Efficient Use of Raw Material, Fuel, Energy and Other Material Resources" recognized it to be necessary to implement a number of measures. It was established that starting in 1982 the profit, which is actually obtained from the sale of consumer goods and items for production engineering purposes, which have been produced from production wastes, is left at the disposal of associations, enterprises and organizations and is included in the consumer goods fund: in the case of a profitability (as a percentage of the production costs) of up to 25 percent--entirely, while in the case of a profitability exceeding 25 percent--in half the amount, on the condition that the cost of the waste products used for the production of the indicated goods and items is 50 percent or more of the cost of all the raw materials and materials, not counting the cost of auxiliary materials. All this will make it possible to use production capacities and local resources more efficiently.

Much attention in the indicated decree is devoted to the questions of increasing the quality of consumer goods. The USSR State Committee for Standards jointly with the ministries plans to implement a comprehensive program of standardization for the most important types of consumer goods, having ensured in them coordinated demands on the raw materials, materials, components and finished products. At enterprises, which are being newly placed into operation and have been renovated, the output being produced should conform to the best domestic and foreign models.

It is necessary to increase the responsibility of trade for the accuracy and soundness of orders (and of industry, in turn, for their satisfaction), otherwise industry has no guarantee of the sale of goods, while much capital is necessary for the organization of the production of some product or other. Such an attitude toward the economic and legal status of orders for consumer goods, undoubtedly, is checking the increase of the output and the delivery to the market of some goods, especially capital-intensive goods and cultural, personal and household goods.

At present the conditions have been created for the development of socialist initiative in this area. The responsibility of trade and industry for the soundness of orders and their more complete satisfaction is increasing. The drafting for a 5-year period of coordinated plans of the updating of the assortment and the improvement of the finish and appearance of items is envisaged, in the contracts of enterprises these questions should find further specification. Moreover, the questions of the long-range forecasting of demand up to 1990 and 2000, with allowance made for the scientifically sound standards, are being elaborated. Under such conditions the role of the study of the demand of the population is increasing, which determines the need for the purposeful efforts of various subdivisions of trade, ministries and departments and the introduction in practice of advanced forms of work, which make it possible to react in good time to the desires of consumers.

Demand is studied so that in accordance with the orders of trade it would be met by production. Then there will be no "iron," "brush," "light bulb" problems and so forth. The cause of a shortage, as a rule, consists in the fact that considerably fewer of certain goods or others are produced than is necessary for meeting the demand of consumers, only 60-80 percent of the orders of trade for many goods are being satisfied. It is necessary to mention this because there is frequently talk about an artificial shortage, which the workers of trade ostensibly create or can create. The production volume, for example, of toothbrushes in 1980 for industry was set at 30 million less than the actual demand for them; moreover, this plan

fell short of fulfillment by nearly 9 million. The orders of trade for electric irons fell short of being met by 500,000.

At the November (1981) CPSU Central Committee Plenum L. I. Brezhnev noted: "There is only one way to solve these and other problems. It is, as the party has repeatedly indicated, the growth of production, the increase of labor productivity, the increase of the efficiency of the economy."

It is also impossible not to speak of the fact that at times errors occur in the distribution of consumer goods among trade systems and organizations of trade, which lead to the formation of above-standard stocks at some organizations and enterprises with their shortage at others. As a result of the inefficiency and irresponsibility of the managers of some enterprises of trade irregularities are occurring in the sale of goods which are available in sufficient quantity.

The evaluation of the results of the economic operations of the enterprise of industry and the formation of economic stimulation funds are carried out on the basis of the fulfillment of the assignments and obligations on the deliveries of products. However, primarily the fulfillment of the plans of sales, and not of the plans of delivery, is being evaluated and stimulated. Many ministries and departments of union and union republic subordination establish for their enterprises a high maximum percentage of the insufficient delivery of goods. The Kazakh SSR Central Statistical Administration surveyed 146 enterprises. At half of them this indicator was greater than 5 percent and only at 11 did it not exceed 2 percent. At the majority of enterprises the maximum (permissible) percentage of insufficient delivery was 2-3 percent higher than the actual nonfulfillment of the plan. In spite of the nonfulfillment of the plans of delivery, the bonuses for managers, engineering and technical personnel and employees were decreased only slightly. The workers are paid bonuses for the quantity, the quality, the economy of water and lighting, for the collection of scrap metal and so on, about 20 types of incentives and all kinds of supplementary payments are envisaged. Anything you like is stimulated, only not the fulfillment of the plans of deliveries, on which both the fulfillment of the plans of the commodity turnover and the satisfaction of the demand of the population depend.

The multiplicity of supplementary payments, markups and bonuses, which are presently being used, in the opinion of a number of economists, makes sense. It seems to us that this multiplicity does harm, since it provides an opportunity to choose by means of what results it is possible to obtain a greater reward without the proper connection with the basic activity, with the interests of the national economy and the population.

The analysis of the operation of industry during 1979-1981 shows that the number of enterprises, which do not fulfill the delivery contracts, is large. Some ministries set for their enterprises unusual preferential "limits" of the nonfulfillment of the assignments on deliveries, which makes it possible to pay bonuses to the managerial personnel of enterprises even in the case of the interruption of deliveries. The enterprises of the Moldavian SSR Ministry of Light Industry received from their department the right to underfulfill the plan of the delivery of goods by several percent. The USSR Ministry of Light Industry has decreased the amount of the maximum percentage of underfulfillment of the plans of deliveries. During 1980 the enterprises of light industry delivered goods worth nearly 2.5 billion rubles less than stipulated by contracts and orders. At the same time a large amount of

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unordered goods were produced. It seems that there are no grounds to retain the right to receive bonuses for the collectives of enterprises, which did not fulfill the contractual obligations by "only" 1-2 percent, having thereby "kept within" the established "limits." The 100-percent fulfillment of the contracts for the delivery of goods in the assortment ordered by trade should become the norm for every enterprise.

It is expedient, in our opinion, to increase the mutual responsibility in the relations between partners, to punish for the violation of the delivery contract and for the production of low quality goods not with fines, but with the complete reimbursement of the losses. It is necessary in addition to the material incentive for good work and for the output of high quality goods for material liability to be introduced for the violation of the assortment and for the output of defective products for all workers.

USSR Gosplan and USSR Gosstrib jointly with other central departments have drawn up and approved new instructions on the procedure of taking into account the fulfillment of the assignments and obligations on deliveries of products and goods in conformity with economic contracts and orders, which are being introduced in 1982. In them it is envisaged to make more strict the penalties against enterprises which interrupt deliveries. The strict fulfillment of the new requirements will strengthen and make more reliable the relations between industry and trade. It is necessary for the provisions of these instructions to be taken into account when specifying the economic ties between trade and industrial enterprises for the five-year plan and when concluding contracts for the delivery of goods.

The utmost increase of the production of goods for the people in all the sectors of the national economy and the improvement of their quality are the most important link of the policy of the party, which is aimed at the increase of the well-being of the Soviet people.

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CONSUMER GOODS PRODUCTION AND DISTRIBUTION

DEVELOPMENT OF MACHINE BUILDING FOR LIGHT, FOOD INDUSTRIES

Moscow VOPROSY EKONOMIKI in Russian No 12, Dec 81 pp 124-128

/Article by A. Khodzhayev and L. Meyerovich: "Development of Production Base for Consumer Goods"/

/Text/ During a long period the production of consumer goods lagged behind the production of means of production. The report on the directives for the preparation of the first five-year plan drew attention to the fact that "a more rapid rate of development of heavy industry in the next few years is totally unavoidable... However, under our conditions heavy industry can be developed only with a strict regime... in the area of trade turnover and in individual cases with some shortage of certain consumer goods."<sup>1</sup>

Beginning with the Eighth Five-Year Plan the rates of growth of groups "A" and "B" begin to come closer together. An accelerated development of light and food industries required a retooling of their material and technical base. In connection with this the proportion of means of production for group "B" in the total volume of means of production increased. In 1970 light and food industries accounted for 13.5 percent of all the deliveries of equipment. By 1975 this indicator rose to almost 24 percent. The proportion of the pool of these sectors in the combined pool of equipment of the USSR industry also increases.

For a long time the rates of growth of the production of equipment for the sectors of group "B" lagged behind the rates of development of machine building as a whole. However, beginning in 1972-1973 the difference in rates is reduced gradually and there is a relative acceleration of the output of machines for light and food industries. Outstripping of the output of equipment for all the subsectors of group "B," as compared with the production of their own products, is observed, which creates the prerequisites for the renewal of the production potential accumulated in these sectors. However, the absolute value of worn out and obsolete capital functioning in group "B," as before, remains substantial. This is aggravated by the fact that many light and food industry enterprises operated on an unchangeable technical basis for a long time. Not long ago 20-year old, mainly imported, equipment made up one-half of the pool of the textile industry. Therefore, the sharp increase in the demand for new equipment on the part of consumer sectors in the last few years is a natural tendency.

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Under these conditions the development of the appropriate machine building base for light and food industries is of paramount importance. When solving the overall problems of technical retooling of group "B," priority should be given primarily to the strengthening of the machine building base itself. The expenditures on the introduction of measures for new technology in group "B" are noted for relatively high effectiveness in terms of recovery periods and the scale of disengagement of manpower. Furthermore, both light industry and the food industry have a high level of profitability exceeding the average industrial level and the level of most other sectors. Thus, the need to accelerate the technical retooling of light and food industries is dictated by the tasks of raising the people's material standard of living and the possibility is ensured by the relatively rapid return on the invested capital.

However, the indicators of the effectiveness of expenditures on new equipment could also be higher, in particular as a result of a reduction in the effectiveness of the introduced equipment. For example, for a long time the possibilities for an increase in labor efficiency and in output on the basis of the use of the automatic pneumatic needle loom were not utilized fully, because the loom operated with a productivity 14 percent lower than that in the certificate. It took the mass pneumatic needle loom 10 years to attain the operating conditions specified in the certificate. On new spinning machines thread breakage is twice as frequent as on the equipment subject to replacement and the productivity of automatic winders makes up only 15 percent of the estimated productivity. Similar data can also be cited on other types of new equipment. The utilization of the potentials existing in the area of equipment production will make it possible to obtain a big effect in the form of an increase in final output per ruble of capital investments in group "B."

Examining such an aspect of retooling as the replacement of obsolete equipment is, we will note that throughout group "B" the indicators of the commissioning of new equipment exceed the indicators of withdrawal of obsolete equipment two- to three-fold, that is, the increase in the availability of technical equipment occurs mainly through an expansion of the combined pool of equipment, not through an accelerated replacement of withdrawn equipment. At the same time, standard withdrawal (with due regard for the depreciation period) exceeds the actually attained withdrawal, which points to the insufficient scale of replacement of equipment. However, the acceleration of withdrawal is hampered primarily by the shortage of equipment. Moreover, during the depreciation period not so much the factor in the obsolescence of equipment as the intensity of its balance throughout the country is now taken into consideration, that is, the development of the appropriate machine building industries has a direct effect on the periods of operation of equipment and the possibility of its replacement.

The machine building sector for group "B" was organized in 1965. The new sector was entrusted with the duty of ensuring the technical retooling of production with advanced technological equipment for 56 subsectors of the national economy, in which more than 17 million people are employed. The difficulties in the sector's establishment were caused by the fact that, although before 1965 a single economic subdivision oriented toward group "B" did not exist, a vast network of enterprises producing equipment for individual subsectors of light and food industries functioned. These enterprises belonged to various ministries and departments. Most of them were auxiliary sections and repair shops of large combines of group "B," which were placed under the auspices of the established ministry.

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Along with such powerful and well equipped plants as the Podol'sk Machine Plant imeni M. I. Kalinin, the Klimovsk Textile Machine Building Plant imeni V. N. Doyenin, the Leningrad Machine Building Association imeni Karl Marx, the Shebekino Machine Building Plant and so forth, which produce large-size products of individual or small-series production, a number of small enterprises with up to 500 employees and with a shopless structure were included in the sector.

Machine building for light and food industries went through a long path of development. Prerevolutionary Russia, not possessing its own powerful machine building base, was forced to import basic industrial equipment. At the same time, the domestic economy was equipped with "modern implements of production four times worse than England, five times worse than Germany and ten times worse than America."<sup>2</sup> Nor were the enterprises of industrial sectors of group "B" an exception in this sense. For example, despite the fact that light industry occupied a prominent place in the structure of Russia's industry, equipment was hardly produced for it. Only individual plants were oriented toward the output of spare parts for existing imported machine tools and they also produced the simplest types of equipment.

The years 1920-1921, when the production of spare parts was organized at 17 large plants for the restoration of the textile industry enterprises that had been partially destroyed during the years of the revolution and the civil war, can be considered the beginning of the development of domestic machine building for light industry. By 1924 there was a transition from the output of parts to the output of individual textile machines. The resolution of the 25th Congress of the All-Union Communist Party (of Bolsheviks) on the directives for the preparation of the five-year plan stressed that "in the area of new industries the following should be developed or reorganized: the production of equipment... for the textile industry."<sup>3</sup> In accordance with this the output of 92 new types of textile equipment was mastered during the First Five-Year Plan and of 135, during the Second Five-Year Plan. At the beginning of the war the list of equipment for the textile industry included 400 items.

The decree dated 20 May 1925 of the Third Congress of the Soviets following the report on the state of the USSR industry considered the expansion of fixed capital, construction of new factories and plants and establishment of new mines, as well as the expansion and reequipment of existing ones and the search for the funds necessary for this, the most important tasks.<sup>4</sup> An increase in the output of equipment, as well as the establishment of a scientific research and design base for its development, was anticipated. The bureau for the designing of machines for light industry was organized in 1925 and the Institute of Textile and Light Machine Building (VNIILtekmash), in 1932. This played an important role in the systematic implementation of the policy of retooling factories with domestic equipment. "It is necessary to decisively embark on the path of freeing both existing enterprises and new construction from dependence on foreign equipment," noted the decree of the Central Committee of the All-Union Communist Party (of Bolsheviks) in 1929. "Soviet textile machine building, which is being organized, should be developed at a more intensified rate in strict coordination with the reequipment and construction plan in the textile industry and with due regard for the latest inventions and improvements."<sup>5</sup>

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During the war years the development of machine building for light industry came to a halt, because most enterprises switched over to output for military purposes. However, a new upsurge begins to show in this area as early as 1946. The Leningrad Special Design Bureau for the Designing of Leather and Footwear Machines was established in 1953 and, in practice, the production of domestic equipment for the leather and footwear industry began to develop since that time. Lines for an automated performance of the industrial process of footwear production by the cement method of bottoming--PLK-O--were established. Subsequently, they were modernized into a number of improved installations.<sup>6</sup>

In the early 1950's 37 plants serviced textile industries alone and the output of various industrial sewing machines was organized. The scientific research base of machine building was strengthened further.

However, in the early 1960's some plants manufacturing equipment for light industry changed their specialization, as a result of which the output of individual types of equipment was reduced. For example, in 1950 approximately 2,200 carding machines for cotton spinning were produced and in 1958, one-half of this. For spinning machines these indicators were 2,000 and 1,100 respectively and for weaving looms, 16,000 and 14,400. At individual enterprises the proportion of specialized output was lowered to 24-29 percent.<sup>7</sup>

Despite definite advances machine building did not meet the needs of the serviced sectors and its fundamental reorganization was needed.

With regard to food machine building the organization on V. I. Lenin's personal instruction of the Mel'stroy Joint Stock Company (within the structure of the Supreme Council of the National Economy), which designed and manufactured equipment for mills, elevators and bread and oil plants, can be considered its birth.

In practice, food, like light, machine building did not exist in prerevolutionary Russia. Some experience was accumulated only in the output of individual machines for sugar production and bread baking. The greatest significance was attached to the latter direction during the first years of Soviet rule. The Elektrokhlleb Joint Stock Partnership producing equipment for bread plants and bakeries was established in Khar'kov in 1926. However, meat and canning industries remained in a difficult situation, which limited the possibilities for the growth of meat, fish and vegetable consumption. Many meat processing enterprises were primitive slaughter houses with a lack of water supply lines, refrigerators and devices for the utilization of the waste of basic production.

In 1931 the appeal by the USSR Soviet of People's Commissars and the Central Committee of the All-Union Communist Party (of Bolsheviks) considered it necessary "to concentrate the indicated production in the special all-Union association for food machine building with an immediate transfer of a number of machine building plants and organizations within the structure of this association (within the period of 1 month) and of the design bureau for special canned meat machine building to it."<sup>8</sup> In accordance with this decision during the same year Mel'stroy was reorganized into Soyuzprod mashina and then into Glavprod mash and plants, a planning office and an installation trust were given to it.

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As a result of the implemented measures the volume of gross output at the enterprises of Glavprod mash increased 11.8-fold from 1928 through 1940, which made it possible to change over to a gradual reduction in the import of equipment. Whereas at the beginning of the First Five-Year Plan about one-third of all the food machines were imported, in 1932 this proportion was reduced to 13 percent and by 1937, to 0.9 percent.

In parallel, food machine building was also developed within the framework of the food industry. In 1940 the enterprises of Pishcheprom produced twice as much equipment as the plants of Glavprod mash. It should be stated that such parallelism persisted to some degree until recently. In the early 1970's 47 percent of the enterprises of machine building for light and food industries were dispersed throughout other departments. A total of 29 enterprises were under the subordination of the USSR Ministry of Food Industry, 18 enterprises, of the USSR Ministry of Meat and Dairy Industry and 14 enterprises, of the USSR Ministry of Light Industry.<sup>9</sup> Although under present conditions the number of such enterprises is not large and they do not determine the nature of domestic machine building, the duplication persists in the scientific research and design spheres of activity.

During the war years a significant part of the machine building plants for food subsectors were destroyed. By the end of the war the machine tool pool and the numerical composition of the sector's workers did not exceed 30 to 40 percent of the prewar level. However, by 1950 the sector's gross output increased 2.5-fold, as compared with 1940. Yet, despite the existing advances, in the early 1960's food machine building enterprises were noted for a low level of technical equipment and organization of production. The activity of the indicated enterprises was also affected by the general shortcomings in industrial management, which hampered the implementation of a unified technical policy according to the sectorial principle, delayed the introduction of the achievements of technical progress into production and, therefore, impeded the supply of the necessary equipment for consumers.

In 1965 the sector began to function as a single body gradually forming its structure and system of production and management. A complex of production facilities planned for the needs and requirements of light and food industries began to emerge in the USSR industry during subsequent years.

During the past 15 years of the sector's work production volumes in comparable prices increased more than 4.5-fold, the list of produced industrial equipment, more than 3-fold and of articles for cultural-general and economic purposes, 2.5-fold and the volume of their output in retail prices, more than 4-fold.

The basic paths and directions in the development of the Ministry of Machine Building for Light and Food Industry and Household Appliances overallly encompassing various aspects of its activity were determined in 1980. Provision is made for a rise in the technical level of enterprises and of the products produced by them, strengthening of the scientific and design base and improvement in the social working and living conditions of workers employed in the sector.

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FOOTNOTES

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**PERSONAL INCOME AND SAVINGS**

**IMPROVED ORGANIZATION OF CREDIT SYSTEM URGED**

Moscow VOPROSY EKONOMIKI in Russian No 11, Nov 81 pp 48-59

/Article by Yu. Avdiyants: "Formation and Use of Credit Resources"/

/Text/ "Planning and scientific-technical and structural policy should be subjected to economic intensification. Methods of management and policy in the area of administration should also work for efficiency," L. I. Brezhnev stressed at the 26th CPSU Congress. The course for an intensification of public production and increase in the rates of its development raises the problem of the material and financial-credit resources of the national economy.

Credit resources mobilized by banks in the national economy form the loan fund of society, which along with budgetary and internal capital is an important source of financial security for expanded reproduction. For example, about 170 billion rubles of banking capital, or 58 percent, functioned as part of state financial resources (without taking into account short-term credit resources), which totaled about 292 billion rubles (annually) during the 1971-1975 period. During the 1976-1980 period the amount of banking capital (average annual loan balances) in relation to the annual volume of financial resources reached 70 percent.<sup>1</sup>

The significance of the loan fund increases constantly in the system of the sources of financing for expanded reproduction. The prospects for an increase in the volume and change in the sources of formation of the loan fund create favorable conditions for the development of credit relations and for its more efficient use. At the same time, an increase in the role of credit in the economy largely depends on the solution of problems concerning the formation, distribution and use of the loan fund. Only with due regard for the patterns in the reproduction of the loan fund and change in its value and material-physical component is it possible to economically substantiate the total amounts of financial resources of the national economy, loan and credit turnover periods, the correlation of extension of short-, average- and long-term credit for circulating and fixed capital, the standard level and differentiation of bank interest and so forth.

The socialist credit system organically integrates the loan fund, that is, the source of economic growth, the sphere of credit relations (object of the credit system), banks and borrowing economic bodies (subject of the credit system), the credit mechanism (means of interaction of the object and subject of the credit system and of bank management of the sphere of credit relations) and the object of the



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credit system. An interaction of objective factors (economic laws of the functioning of credit relations) and of subjective factors (bank and economic bodies using economic laws in economic management) takes place in the credit system. While objective factors are of decisive importance, the subject plays an active, transforming role in this interaction.

The loan fund, which is one of the funds of the national economic resources of socialist society, is the initial link in the formation of the socialist credit system. The loan fund of socialist society serves as an economic form of expression of resources periodically released in the course of production, which are mobilized by the bank and by means of credit are drawn into the national economic turnover to expand the base of socialist reproduction, ensure proportionality, accelerate the rates of production development and obtain additional savings.

The loan fund as an economic category is characterized by the following significant features: First, it appears as an economic form of manifestation (movement) of resources temporarily released in the national economy and mobilized by the bank on the basis of repayment.<sup>2</sup> Second, the use of the loan fund in the national economy expands the material base of reproduction, accelerating economic development and the growth of national labor productivity.

The loan fund represents the totality and unity of credit relations in the national economy in their organic interrelationship and interaction. The study of the reproduction of the loan fund makes it possible to disclose the role of the totality of credit relations in the formation of value and physical proportions of socialist expanded reproduction.

In their economic nature temporarily released resources participating in the formation of the loan fund are not uniform. Among them it is possible to single out capital temporarily released from turnover in material production sectors; temporarily unused capital of budget organizations; capital temporarily released in the process of formation of the population's monetary income and reproduction of the consumption fund. In addition to the capital temporarily released in the national economy, economically accountable bank funds, which comprise about 2 percent of the loan fund of society, belong to credit resources.

The economic mechanism operating under socialism on the basis of public ownership ensures savings from the joint use of means of production. These savings belong to socialist society at large and, in particular, are realized by means of credit. Therefore, the loan fund appears as an additional source of socialist expanded reproduction.

The financial resources of expanded reproduction are formed from constant and temporarily free monetary resources, creating the internal capital of economically accountable enterprises, budgetary capital and other monetary funds at all the levels of management of the national economy. Temporarily free monetary resources are included in the loan fund used in the form of credit.

Meanwhile, both in theory and in economic practice the economic role of credit resources is not clarified sufficiently. The interpretation of credit as a simple factor in the turnover of financial resources and as an intermediary in the turnover of constant resources periodically replacing temporarily lacking internal

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capital, which leads only to the saving of bank notes, is basic in modern theory. It is considered that credit mediates the movement of constant financial resources in order to "rescue" the enterprise for the period of restoration (or arrival) of its own capital.

It is considered that only constant monetary resources (internal and budgetary capital) manifest their effect and are set in motion by means of credit and the following conclusion is drawn: Nothing is added to the economic potential of public production. The existing attitude toward credit is affirmed in the formulated functions of credit, which appear as the means of replacement of money in its function of circulating capital, redistribution of temporarily free capital for the purpose of plan fulfillment, bank ruble control over the course of plan fulfillment, organization of settlements of accounts in the national economy, maneuvering of monetary reserves, mediation of capital circulation, provision of the economy with monetary assets and so forth. This indicates that bank resources are of no independent significance. Credit only redistributes temporarily free monetary assets in the economy, not increasing financial resources at the level of the entire national economy, and the resource nature of credit and its role in the expansion of the financial and, therefore, material base of public reproduction are denied.<sup>3</sup>

This position, which does not fully disclose the actual role of credit in socialist expanded reproduction, sets credit against finances, which leads to a denial of the fact that credit is one of the forms of financing and functioning of public resources.

"Soviet finances," notes Prof N. G. Sychev, "represent the totality of economic relations, as a result of which, on the basis of the distribution and redistribution of the social product and national income, the monetary income and funds of monetary resources of enterprises, organizations and the state are formed and used in a planned manner for ensuring expanded socialist reproduction, meeting the material and cultural needs of workers, administration and defense of the country."<sup>4</sup>

This definition, with which the majority of Soviet economists agree, encompasses a number of important features, which also characterize Soviet credit. Therefore, many economists include credit (along with the state budget, state insurance and so forth) in financial relations as a special subdivision having its own specific features.

The essence of the loan fund as a specific reserve of the economic development of public production is disclosed only from the position of the concept linking credit with the mobilization and use of temporarily free resources. Therefore, along with constant financial resources, which are stable monetary reserves, it is necessary to take into account the loan fund of society as an additional source of the development of public production.

In our opinion, the fact that only the increment in resources for short-term crediting is taken into account is the shortcoming of the existing scheme of the consolidated balance of financial resources.<sup>5</sup>

Short-term credit resources must reflect in full volume the entire amount of temporarily free resources circulating in the national economy.

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The bank credit plan does not encompass all credit resources. Credit resources drawn into the national economic turnover for a long time (long-term loans) are outside its range. In addition to the resources of the loan fund, the credit plan includes part of the internal capital of economically accountable associations receiving credit for the circulation of commodity stocks and wage expenditures, as well as allocations from the budget. Therefore, along with the bank credit plan, there is a need for the elaboration of a special balance reflecting the reproduction of the loan fund in national economic sectors and in the spheres of use. This balance will make it possible to determine the size and structure of the loan fund and the credit fund, to disclose the conditions for a balance of the material-physical and value component of the loan fund and to coordinate the release of resources in time with credit periods. The balance of reproduction of the loan fund will serve as the basis for the preparation of the bank credit plan. The basic results of the balance of reproduction of the loan fund will be included as initial components in the bank credit plan. It is also necessary for an improvement in the planning of the loan fund (for 5 years with an annual breakdown, as well as for a longer period).

The further rise in the role of credit in the intensification of public production is connected with an improvement in all the links in the chain of reproduction of the loan fund. At the present stage in the development of the Soviet economy it is necessary to stimulate the inflow of temporarily free capital into the loan fund in all directions and from all sources.

The capital of state insurance also appears as an important reserve of the loan fund. In connection with this property insurance should develop so that victims are compensated for material damage and insurers accumulate capital. This procedure will be an incentive for an increase in the significance of the capital of the Main Administration of State Insurance in the formation of the resources of the loan fund.

Furthermore, for a systematic increase in capital from personal insurance it is necessary to create the appropriate material incentive, that is, the transfer of insurance sums to deposits in savings banks through the fixing of especially high interest charges and differentiation of the interest rate depending on insurance periods. At the same time, the population becomes interested in transferring insurance sums to deposits in savings banks, in stabilizing deposits and in keeping its deposits in savings banks longer. In the future this can also be applied to property insurance. Thus, there is a need for an interaction between the system of the Main Administration of State Insurance and savings banks in a planned transfer of insurance sums to deposits on the basis of the fundamental interests of the national economy.

An increase in the economic accountability interest of associations and enterprises in an efficient utilization of their resources, in an acceleration of capital circulation and in the transfer of temporarily free capital to the loan fund of society is an important task.

In the process of reproduction one part of the capital of enterprises is in operation, while the other is temporarily free. The correlation between capital occupied in production and temporarily free capital differs from the correlation of

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internal capital and bank credit, which reflects the structure of capital of enterprises. In particular, this is due to the fact that the amount of temporarily released capital of enterprises does not coincide with the amount of enlisted bank credit. A disruption in economically correct correlations will lead to negative consequences. In our opinion, in order that the interests of enterprises may meet the national economic criteria of planned and efficient public production, it is necessary to establish the socially necessary amount of temporarily released capital in the financial resources of associations and their standard.

An analysis of the standard and actual indicators of released capital will help to disclose and study the patterns in the reproduction of the loan fund and to improve the planning and organization of the finances of associations and their relationship with the bank.

Proceeding from an economically substantiated standard of temporarily free capital, in the financial and credit plan of sectors, associations and enterprises it is necessary to establish the appropriate assignments for the volume of resources assigned to the loan fund and for the enlistment of borrowed capital. In such a case the planning of credit investments will be directly coordinated with the formation of bank resources, which will accelerate the transition to the planning of the reproduction of the loan fund at the level of the national economy and its individual sectors. A violation of the standard of temporary release of capital should not lead to the cessation of crediting or to a reduction in the extent of crediting envisaged in the plan. At the same time, to stimulate the fulfillment of the plan for the mobilization of the resources of the loan fund by enterprises, it is more advisable to change the conditions of extension of the planned loans (to raise interest rates, to more strictly select the objects of crediting according to the level of their efficiency and so forth). Moreover, credit interest should be charged on the amount of bank credit planned for a given economic body, not on the actual (within the limits of the plan) amount of borrowed capital drawn into the circulation of an enterprise. At the same time, for unplanned loans provision is made for a stricter regime of use. Such a procedure will be an incentive prompting enterprises to more efficiently use the planned bank loans for ensuring the planned rates of growth and proportions of production.

It is possible to interest economic organizations in observing the standard of released capital by charging interest on their deposits.

However, incentives should not lead to an excessive release of capital from circulation. It is necessary to establish the maximum extent of participation of ministries in the use of the internal fund of temporarily released capital for the needs of the enterprise itself. At the same time, it is important to attain the maximum reduction in superfluous redistribution processes.

It is advisable to combine the procedure of fixing the interest that the bank charges economic bodies for keeping capital with a special charge for credit resources paid by the bank to the budget in order to contribute to a better use of the loan fund and its fuller accumulation. The charge for credit resources deducted by the bank to the budget is an economic category reflecting the relationships of the bank with society in connection with an efficient use of the loan fund of the socialist state.

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The temporarily free capital of enterprises and associations included in the loan fund becomes national economic resources. At the same time, the resources of the loan fund appear as the bank's circulating capital. The bank is economically responsible for an efficient use of the loan fund. It must pay a special charge for credit resources to the budget. The establishment of this charge will also intensify the bank's positive effect on the economic initiative of enterprises, prompting them to use raw materials and supplies efficiently, to better operate fixed capital and to intensify production.

The level of the charge for the loan fund should be determined by the difference between the standard rate of interest on credit and the share of interest used to cover the expenses of the bank system. Through the differentiation of the charge it is possible to regulate the bank's share in the collected interest for an intensified effect of the efficient use of the loan fund and of the planned nature of reproduction on its activity. The amount of the charge for the loan fund must be linked with the effectiveness of credit investments. The lower the effectiveness, the higher the charge as a result of a decrease in the share of interest left at the bank's disposal for the formation of economic incentive funds. When the profitability of credit investments is increased, the charge is lowered in favor of the bank (per ruble of credit).

An economically substantiated determination of the order of enlistment of financial resources is an important aspect of the improvement in the mechanism of reproduction of the loan fund. An evaluation of the preference of internal capital, bank resources and budgetary allocations for the economically accountable enterprise is reflected in the efficiency of use of resources and in their correlation in the finances of the enterprise. The correlation of various resources is one of the financial proportions of expanded reproduction. For the economically accountable enterprise, according to the degree of advantageousness, financial resources can now be arranged in the following order: intrasystem redistribution of capital, budgetary allocations, bank credit and internal capital. At present the national economic recovery of budgetary resources is ensured through the capital charge, deductions of the disposable balance of profit and so forth. As a rule, budgetary capital is allocated and used regardless of its recovery. Therefore, it is preferable. This economic disproportion can lead to an inefficient use of budgetary capital, which will also have a negative effect on the efficiency of use of credit resources and internal capital.

Credit resources are "cheaper" for the economically accountable enterprise than internal capital, because the average interest rate is lower than the charge for the enterprise's own capital paid to the budget. The repayment of bank loans is ensured from production cost as part of the proceeds from the corresponding output, which has no economic effect on enterprise activity.

Under present conditions, when intensive growth factors have the predominant effect in public reproduction, the economic accountability evaluation of the preference of various financial sources should be revised. The enterprise should be put in a situation in which it would strive for the use of financial resources in the following order: internal capital, capital received in the form of intrasystem redistribution on the basis of observance of economic accountability principles in economic relations, bank credit and budgetary allocations. Having fully exhausted the possibilities for an efficient use of internal capital, the enterprise will be able to enlist bank credit and budgetary allocations.

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The role of the credit mechanism in an efficient use of the loan fund is now increasing. This presupposes the need to continue the work on improving the credit system. The maximum use of intensive factors in production growth requires primarily an intensification of the differences in the conditions of extension of short-term credits pertaining to individual groups (planned and above-plan credit, credit for the elimination of shortcomings in the economic activity of enterprises and overdue credit) so that economic organizations may strive for the adoption and fulfillment of stepped-up plans, using mainly intensive growth factors. This was partially taken into consideration in the introduction of new interest rates by the decree of the CPSU Central Committee and the USSR Council of Ministers on improvement in the economic mechanism. However, even now the differences in the conditions of extension of credits pertaining to individual groups (planned, above-plan and so forth) are insufficient for economic organizations to avoid plan disruption.

There are also significant potentials for improving the use of the credit system in the economic substantiation and mutual coordination of the mechanisms of short-, average- and long-term crediting. They operate as organic parts of a single credit mechanism ensuring the realization of planned proportions between the loan fund and the needs of the national economy for credit according to the volume and physical content, according to the periods of release of resources and amounts of short-, average- and long-term credit and according to the level of effectiveness of expenditures differentiated with due regard for the economic evaluation of the time of withdrawal of resources to credit. The correspondence between the loan fund and public needs for credit is based on a certain norm of effectiveness of the expenditures for which credit is extended as a measure of their relationship.

The conditions of extension of short-term credit are initial for the formation of the regime of long-term crediting corrected for the length (beyond 1 year) of advance of resources. For example, interest rates depending on the length of credit should be differentiated depending on the time of withdrawal of public capital: The longer the period of withdrawal, the more efficiently it must be used.

Furthermore, the mechanism of extension of credit for one-time expenditures is directed toward the level of long-term national economic profitability and provision of interconnection of the economic accountability interests of all the participants in the investment process, that is, the planning organization, contractor, supplier of equipment and customer, on the basis of credit agreements taking into account the combined expenditures and the obtained final result.

Nor does the modern practice of extension of credit for circulating capital fully meet the conditions of intensive management. In particular, the fact that the proceeds from the sale of output are the source of liquidation of almost all the forms of credit (production cost, of credits for nonseasonal production expenditures and credits for the expenditures of future periods) attests to the above. Additional profit is only the source of liquidation of credits for a temporary compensation for the shortage of internal circulating capital. Profit is also used for the repayment of bank interest. Despite the differences in the two basic forms of extension of credit, that is, for the balance and turnover of commodity stocks (on the basis of the share participation of banking capital and the internal resources of enterprises), they belong to the same type reflecting the conditions of extensive economic management. The similarity lies in the fact that

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credit is paid back on the basis of the production cost of the sold output. As is well known, the capital covering the production of the sold output remains in a special loan account and is used to repay bank loans. Therefore, there is no direct connection of the circulation of borrowed capital with the profit and profitability of enterprises. Such a situation guarantees a prompt return of credit, regardless of the economic results of production. The enterprise and the bank have no direct interest in an increase in production profitability. Therefore, the mechanism of extension of credit for circulating capital must be improved on the basis of a close connection of credit investments with the profit and profitability of enterprises. In our opinion, there is a need for a procedure of formation of circulating capital in which the temporary need for circulating capital would be reimbursed from the production cost of the sold output and the growth of constant needs would be secured by bank credit liquidated from profit. This will intensify the effect of credit on all price elements (both production cost and profit), as well as the interest of enterprises (borrowers) and of the bank in an increase in production efficiency. The interconnection of the principles of the economic accountability activity of the bank with the economic accountability of production enterprises in the solution of problems concerning an acceleration of the rates of growth of economic development will thereby intensify. This is necessary to ensure intensive reproduction under the conditions of developed socialism.

The further improvement in the mechanism of formation, distribution and use of the loan fund determined by the interests of intensification of public reproduction will occur in the direction of development of economic forms creating possibilities for the manifestation of the economic enterprise and stimulation of managerial activity of banks.

The mechanism of formation of the loan fund and the mechanism of its distribution and use are organic parts of the general, single mechanism of reproduction of the loan fund--the basis of credit relations in the national economy. This reflects the assumption on the existence of a profound internal connection between the loan fund and credit investments. The loan fund, which represents temporarily released resources, and the needs of the national economy for credit investments form two aspects of one economic relation and their correspondence is necessary. When coordinating the material-physical, value and financial proportions of the national economy, it is necessary to take into account the characteristics of reproduction of the sectorial structure of the loan fund.

First, the objective limits of credit relations in the national economy are established primarily on the basis of the material and physical structure of the loan fund, which predetermines the possible directions in the distribution and use of credit resources. Second, a temporary release of capital occurs mainly as a result of the unused balance of special funds and profit in circulation (about 63 percent).<sup>6</sup> Third, one part of temporarily free capital is expressed physically in the form of the sector's own output (the part of the sector's shipped output for which credit is not extended and unrealized profit, 40.4 percent) and the other, in money creating demand for the output of other national economic sectors (for the output of suppliers, for repairs and for capital construction, 59.6 percent). Fourth, the volume of credit investments in the national economy at the expense of a given sector is determined by the amounts of the available material resources that can be withdrawn and loaned to other sectors. Fifth, throughout

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the industry and its individual sectors the amounts of credit investments greatly surpass the temporarily released capital transferred to the loan fund. This reflects the general situation that exists in the national economy. The loan fund is created not only from periodically released resources in the sphere of material production, but also as a result of the enlistment of the population's savings and other financial resources. According to our calculations, on the average, there are 21.6 kopecks of resources temporarily released in industry per ruble of credit investments and 3.1 kopecks, per ruble of functioning funds. Sixth, the amount of credit extended to the sector itself is not determined by its participation in the formation of the loan fund of society. Credit investments in a sector are not made from the loan resources that appear in this sector, but from the capital released in supplier sectors. Loan resources appear on the side of some sectors and credit investments, of other sectors. Therefore, the economic limit of the credit extended to a sector depends on the amount of temporarily released resources in supplier sectors and on the volume of purchase of output.

However, it is necessary to take into account the effect of the resources drawn from the budget and the sphere of consumption on the extension of credit to a given sector. The intersectorial distribution of these external resources occurs in accordance with the established planned proportions of expanded reproduction on the basis of the intersectorial planned balance.

The mechanism of formation, distribution and use of the loan fund is to ensure the necessary unity between the material and value structures of the loan fund in the process of reproduction and the proportionality between the loan fund and the public needs for credit. The correspondence of the amount of credit investments to the public needs for credit throughout the national economy and in individual sectors is one of the concrete forms of manifestation of the connection "between the amount of public work time spent on the production of a certain article and the extent of public need subject to satisfaction by means of this article."<sup>7</sup>

Therefore, the following appear as the basic principles of the planning and use of the loan fund: balance between the resources of the loan fund and the needs of individual sectors for credit investments, which ensures an extension of credit for the national economy within the resources of the loan fund; coordination of loan resources according to the periods of their temporary release with credit investments in individual objects with various periods of advance and recovery; balance reached by means of resources drawn from the sphere of consumption and the corresponding change in the parameters of the mechanism of formation and use of the loan fund--the standard of efficiency of expenditures for which credit is extended, the loan period, the level and differentiation of bank interest and so forth.

Under present conditions bank activity is directed toward an increase in the efficiency of expenditures and the attainment of high final national economic results through intensive factors in the growth of socialist production.

In the accountability report of the CPSU Central Committee to the 26th party congress L. I. Brezhnev noted that the "utilization of the possibilities at our disposal largely depends on the level of national economic management and on the level of planning and administration."



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Advances in managerial activity in the area of increase in the efficiency of use of resources and acceleration of the rates of expanded reproduction depend on the degree of a planned use of economic laws. General economic laws (basic economic law, law of planned development of the national economy, law of time saving and so forth) are realized through finances.

On the one hand, finances as an economic category representing distribution and redistribution relations in the economy reflect an objective contradiction between the material-physical and value component of the produced social product and national income. It permeates the entire set of contradictions connected with the reproduction of financial relations and has a significant effect on their nature. On the other hand, finances are a tool for overcoming this contradiction. Owing to the functioning of finances the initial (production) structure of the social product is reduced to its final (reproduction) structure.

The law of correspondence (unity) of the material-physical and value elements of the social product formulated by K. Marx is basic in the system of economic laws operating in the financial sphere. This law uncovers the most significant connection of the aspects of contradiction as the source and motive force of the development of financial relations. Other connections and corresponding laws characterize only some essential aspects of the general contradiction of financial relations (repayment of financial resources advanced for production with an increment); placement of financial resources in specific directions of expenditures--reduction of current expenditures, improvement in the quality of output, mastering of new output and so forth--associated in the process of production; order of drawing various sources of financing (budgetary resources, internal capital, bank credit and so forth) into the economic turnover; correspondence between the equivalent (finances) and relative (price) forms of advance.

General financial laws are concretized in the specific laws of budget financing, laws of financing from internal capital and credit laws. Credit laws, reflecting the distinctive features of credit relations, are the form of manifestation and realization of financial laws. Credit represents an advance of financial resources temporarily released in the national economy in the process of public reproduction. It serves as a form of overcoming the contradiction between a temporary release of capital in the process of reproduction and the need for its constant participation in the circulation of the social product. The basic contradiction of credit is a distinctive refraction of the general contradiction internally inherent in financial relations. In the course of reproduction it is disclosed in the regular connections between temporarily released capital and resources utilized in turnover, between the amount of capital temporarily released among suppliers and the volume (limit) of credit extended to consumer enterprises, between credit investments and the expansion of the material base of public reproduction, between the advanced credit resources and the economic yield from their use, between the issue of loans and their repayment, between the liquidation of a loan and payment of credit interest and the economic results from the use of borrowed resources, between the enlistment of banking capital and the collection of credit interest, among the volume and periods of a loan, object of crediting, bank interest, level of effectiveness of credit investments and sources of loan liquidation as elements of a concrete credit relation taken in a single complex, between credit and the price of a product and between the physical and value components of the loan fund. In

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credit relations these connections are necessary, stable and significant and specific credit laws appear in them. A certain feature, side, aspect, phase or form of movement of the main contradiction forming the basis for credit relations is manifested in every specific credit law. Only owing to the observance of the entire set of credit laws is the contradiction eliminated promptly.

General economic laws characterizing the level of development of the economic system determine the direction in the development of specific financial laws. These changes are transmitted from financial laws to the specific laws of the structure, functioning and development of credit. The laws of structure characterize the stability of the structure of credit relations and determine the method of linking the elements and the structure and organization of their interconnections. They include the law of correlation of temporarily released capital and resources utilized in turnover, the law of the economic limit of extension of credit to an enterprise, the law of credit as a factor in price formation and so forth.

Another tendency is characteristic of the laws of functioning of credit relations, to which the law of effectiveness of credit relations and the law of mutual conditionality of the elements of a credit relation pertain. The laws of functioning reproduce the structural connections of credit relations. At the same time, the reproduction of structure is accompanied by imperceptible quantitative changes in its individual components. In time, owing to the accumulation of quantitative changes, the intensity of contradiction between the requirements of the laws of structure and the requirements of the law of functioning of credit increases. These contradictions are aggravated and lead to the fact that the laws of the structure of credit relations begin to oppose the laws of their functioning, which is directly reflected in the role of credit. As a result, a threat of violation of the laws of credit development--law of credit repayment (basic law in the sphere of credit), law of expansion of the material base of reproduction from credit and law of the unity of the material and value component of the loan fund--arises. In order to avoid the negative consequences of contradictions, they are promptly overcome on the basis of the laws of credit development, owing to which the appropriate reorganization of the connections of the elements of structure with due regard for their state and new economic situation is carried out. The resolution of contradictions and coordination of the laws of structure of credit relations with their laws of functioning are ensured on the basis of the laws of credit development. Despite some conditionality of the grouping of credit laws, nevertheless it makes it possible to observe the process of emergence of contradictions in credit relations and the stages in the development and direction of their resolution.

The present tasks of economic intensification dictate the need to develop economic forms of use of laws giving scope for the manifestation of the economic enterprise and stimulation of managerial activity of banks.

An expansion of the economic opportunities of banks is connected with the performance in full volume of the functions of planning, management, economic stimulation and control over the production and sale of output inherent in them. To increase the efficiency of the managerial activity of banks, it is advisable beginning with the 11th Five-Year Plan to establish, on the basis of the assignments approved in the five-year plan, a stable standard of deductions in favor of banks

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from the interest income for compensation for expenses and for the formation of the necessary profit. Material incentives for bank workers should also depend on an improvement in the production and financial indicators of the work of associations and enterprises if it is attained owing to the economic competence of banks. The bank involved in the profit originating at an enterprise can claim a part of it.

In 1922 V. I. Lenin raised the question of the representatives of the trade division of the Gosbank "receiving bonuses in proportion to the growth of the trade turnover at the enterprises or territorial regions 'entrusted' to them..."<sup>8</sup>

Material incentives from bank profit and from deductions from the profit of production associations in favor of banks will serve as a powerful stimulus for the development of the economic enterprise of banks and of economic accountability in the bank system in the interest of implementation of Soviet credit policy. The bank, striving to fulfill the state plan on the basis of the introduction of economically more advantageous variants of expenditures and popularizing the latest scientific and technical achievements in the national economy, thereby contributes to an acceleration of the rates of development of public production and to an increase in its efficiency and proportionality.

The improvement in the credit mechanism and stimulation of the economic activity of banks are directed toward an efficient use of the loan fund and increase in the role of credit in the economy of developed socialist society.

FOOTNOTES

1. Calculated according to the following data: "Narodnoye Khozyaystvo SSSR v 1980 Godu" [USSR National Economy in 1980], Izdatel'stvo Statistika, 1981, p 527; FINANSY SSSR, No 4, 1981, p 5.
2. Not the totality of temporarily released capital from the circulation of enterprises and associations enters the loan fund of society. Some part of it is retained by enterprises and associations and serves as an intrafinancial source of coverage of economic expenditures. See B. N. Agraponov, "Vnutrenniye Finansovyye Resursy Predpriyatiya i Kredit" [Internal Financial Resources of the Enterprise and Credit], Izdatel'stvo Finansy, 1974.
3. See DEN'GI I KREDIT, No 9, 1976, p 82.
4. N. G. Sychev, "Finansy Promyshlennosti" [Finances of Industry], Izdatel'stvo Finansy, 1971, p 8.
5. This problem is still debatable. See, for example, A. M. Volkov, "Perspektivnoye Planirovaniye Finansovykh Resursov" [Long-Term Planning of Financial Resources], Izdatel'stvo Finansy, 1976, p 42; N. O. Voluyskiy, "On the Balance of Financial Resources in the National Economic Plan" (PLANOVOYE KHOZYAYSTVO, No 1, 1976); G. K. Shekhovtsov, "Svodnoye Byudzhethnoye Planirovaniye" [Consolidated Budget Planning], Izdatel'stvo Finansy, 1976, p 70.

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6. According to tentative calculations, in 15 industrial ministries from 1970 through 1979.
7. K. Marx and F. Engels, "Soch." [Works], Vol 25, Part I, p 205.
8. V. I. Lenin, "Polnoye Sobraniye Sochineniy" [Complete Works], Vol 54, p 167.

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